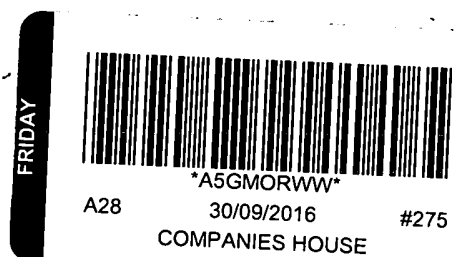

Schneider Electric IT UK Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015



Schneider Electric IT UK Limited

COMPANY INFORMATION

Directors	T Lambeth T Randery
Company secretary	Invensys Secretaries Limited
Registered number	03108928
Registered office	2nd Floor 80 Victoria Street London SW1E 5JL
Auditor	Ernst & Young Chartered Accountants Barrington House Barrington Street Limerick Ireland
Bankers	Barclays Bank Level 28 1 Churchill Place London E14 5HP Bank of America King Edward Street London EC1A 1HQ National Westminster Bank Plc 217 Dean Street The Telford Centre Telford Shropshire TF3 4BT
Solicitors	Baker & McKenzie 100 New Bridge Street London EC4V 5AB Pinsent Masons 1 Park Row Leeds LS1 5AB

Schneider Electric IT UK Limited

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Schneider Electric IT UK Limited

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Business review

The principal activity of the company is the sale and support of uninterruptible power supply systems. This consists mainly of sales of UPSs, racks, accessories, PDUs, batteries and the associated services, mainly installation, commissioning, extension of warranty and maintenance contracts. The principal activity of the company during the year continued to be a significant player in the power protection business in the UK.

Products are sold under the brands, APC by Schneider Electric or Schneider Electric and services are sold under the brand Schneider Electric.

The key financial and other performance indicators during the year were as follows:

	2015 £'000	2014 £'000	Change %
Turnover	30,875	28,119	9.8
Gross profit	7,156	8,245	(13.2)
Gross margin percentage	23.2	29.3	(6.1)
Profit before tax	2,364	2,498	(5.3)
Average number of employees	127	133	(4.5)

The revenue of the company increased by 9.8% when comparing 2015 with 2014, mainly supported by a pickup of infrastructure projects the company undertakes in the banking industry especially in the London area.

The company has also maintained a consistent profitability in the year and the financial statements indicate a net profit of £2.2 million. For the 4 next years, with a reasonable assumption of a 3% to 5% growth per year and a stable 7.8% of net income on sales ratio, the net profit is expected between £2.5 million in 2016 to £2.8 million in 2019.

The company's net profit after tax and actuarial gain/loss on the defined benefit pension scheme for the year ended 31 December 2015 amounted to £2,842,869 (2014: £1,166,718) and has been transferred to reserves. Dividends of £2,200,000 were paid during the year (2014: £700,000). The directors do not propose the payment of any further dividends for the year ended 31 December 2015.

With the integration of American Power Conversion UK in 2010 and the acquisition of Schneider Electric IT Manufacturing UK Limited (formerly Kell Systems Limited) in 2011, the company developed a complete solutions offering in UPS, cooling systems, racks, software and services to continue to be a top provider in the data centre market where the main end-users are banks, IT company's (cloud computing, co-location) and telecommunications. Also, in collaboration with other Schneider Electric entities in the UK, the company continues to develop in the industrial power protection sector (non IT world).

The company has a net asset position of £9,636,606 as at the end of 2015.

It is anticipated that this net asset position will be increased in the future as a result of growth in the business anticipated for the next four years and the profit therefore generated.

The company is expecting reasonable growth, especially in our services business in the coming years and will continue to keep its cash generation at a satisfactory level.

Schneider Electric IT UK Limited

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

Principal risks and uncertainties

The principal risks and uncertainties faced by the company include the dependence on the Schneider Electric Group ensuring that there is an adequate pipeline of products, to replace products reaching the end of their lifecycle. No other specific operational risks have been identified.

The structure of the company is ready to react to opportunities as soon as they appear on the market.

Schneider Electric IT UK Limited is able to call on the resources of the Schneider Electric group, should there be any requirement for additional cash flow, debt restructuring, or other activities required to continue in business throughout the next twelve months.

This report was approved by the board on 29 September 2016 and signed on its behalf.



T Lambeth
Director

Schneider Electric IT UK Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year, after taxation, amounted to £2,166,838 (2014: £2,309,918).

The income statement and statement of other comprehensive income, statement of financial position and statement of changes in equity for the year ended 31 December 2015 are set out on pages 8, 9, 10, and 11 respectively. The profit for the year before taxation amounted to £2,364,423 compared with £2,497,689 in the previous year. After allowing for taxation of £197,585, profit for the financial year amounted to £2,166,838. Total equity funds at 31 December 2015 amounted to £9,636,606 (2014: £8,993,737).

Directors and their interests

The directors who served during the year were:

T Lambeth
S Thorogood (resigned 1 March 2015)
D Wrangles (resigned 29 July 2015)
T Randery (appointed 1 March 2015)

Trevor Lambeth has served as company director throughout the period.

The directors had no interests in the share capital of the company.

Political contributions

During the current and prior year, the company made no political contributions.

Future developments

With a combination of the actions described in the strategic report, the company is forecasting reasonable growth in future years, between 3% and 5% per year.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position and its key risks and uncertainties are described in the strategic report on page 1.

The directors, having made appropriate enquiries, consider it reasonable to assume that the company has adequate resources to continue for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

Employees

Information concerning employees and their remuneration is given in note 6. It is company policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled and to provide training and career development and promotion to disabled employees wherever appropriate. To satisfy that need, consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures, departmental channels and the publication of financial and economic information, employees are kept informed about company affairs.

In order to safeguard its employees, the company pursues a policy designed to provide secure working environments and training standards at all locations. The company also recognises the need to provide information on matters of concern to all employees.

Schneider Electric IT UK Limited

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Director's indemnity

The company has in place appropriate indemnity insurance for its directors and officers.

Disclosure of information to auditor

The directors who were members of the board at the time of approving the directors' report are listed on the company information page. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

The auditor, Ernst & Young, Chartered Accountants have expressed their willingness to continue in office and a resolution proposing their reappointment will be submitted at the annual general meeting in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 September 2016 and signed on its behalf.



T Lambeth
Director

Schneider Electric IT UK Limited

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company complies with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board on 29th September 2016 and signed on its behalf.



T Lambeth
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHNEIDER ELECTRIC IT UK LIMITED

We have audited the financial statements of Schneider Electric IT UK Limited for the year ended 31 December 2015 which comprise the Income Statement and Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew P. Clery (Senior Statutory Auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Limerick, Ireland

Date: 29/09/2016

Schneider Electric IT UK Limited

**INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
Continuing operations			
Turnover	3	30,875,265	28,119,035
Cost of sales		(23,719,375)	(19,873,827)
Gross profit		<u>7,155,890</u>	<u>8,245,208</u>
Distribution costs		(4,081,115)	(4,593,149)
Administrative expenses		(1,683,761)	(1,990,823)
Operating profit	4	<u>1,391,014</u>	<u>1,661,236</u>
Income from fixed assets investments	8	1,100,000	1,000,000
Interest receivable and similar income	9	29,409	14,453
Interest payable and expenses	10	(156,000)	(178,000)
Profit before tax		<u>2,364,423</u>	<u>2,497,689</u>
Tax on profit on ordinary activities	11	(197,585)	(187,771)
Profit for the financial year		<u><u>2,166,838</u></u>	<u><u>2,309,918</u></u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme		1,079,000	(1,429,000)
Deferred tax (charge)/credit on the originating and reversal of timing differences on defined benefit pension scheme		(194,220)	285,800
Deferred tax (charge) on the effect of decreased tax rate on defined benefit pension scheme		(208,749)	-
		<u>676,031</u>	<u>(1,143,200)</u>
Total comprehensive income for the year		<u><u>2,842,869</u></u>	<u><u>1,166,718</u></u>

The notes on pages 12 to 41 form part of these financial statements.

Schneider Electric IT UK Limited
REGISTERED NUMBER: 03108928

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	13	1,728,926	1,728,926
Tangible assets	14	2,142	14,037
Financial assets	15	5,738,372	5,738,372
		<u>7,469,440</u>	<u>7,481,335</u>
Current assets			
Stocks	16	2,086,452	1,402,870
Deferred taxation	18	1,236,925	1,837,429
Debtors: amounts falling due within one year	17	15,224,976	11,650,033
Cash at bank and in hand		82,078	161,338
		<u>18,630,431</u>	<u>15,051,670</u>
Creditors: amounts falling due within one year	19	(13,001,779)	(7,949,012)
Net current assets		<u>5,628,652</u>	<u>7,102,658</u>
Total assets less current liabilities		<u>13,098,092</u>	<u>14,583,993</u>
Provisions for liabilities			
Other provisions	20	(441,735)	(607,555)
		<u>(441,735)</u>	<u>(607,555)</u>
Net assets excluding pension liability		<u>12,656,357</u>	<u>13,976,438</u>
Defined benefit pension liability	21	(3,019,751)	(4,982,701)
Net assets		<u><u>9,636,606</u></u>	<u><u>8,993,737</u></u>

Schneider Electric IT UK Limited
REGISTERED NUMBER: 03108928

STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
Capital and reserves			
Called up share capital	23	1,600,000	1,600,000
Profit and loss account		8,036,606	7,393,737
		<u>9,636,606</u>	<u>8,993,737</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2016.



T Lambeth
Director

The notes on pages 12 to 41 form part of these financial statements.

Schneider Electric IT UK Limited

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital £	Retained earnings £	Total equity £
At 1 January 2015	1,600,000	7,393,737	8,993,737
Comprehensive income for the year			
Profit for the year	-	2,166,838	2,166,838
Actuarial gains on pension scheme	-	-	-
Other comprehensive income	-	676,031	676,031
Total comprehensive income for the year	-	2,842,869	2,842,869
Dividends: equity capital	-	(2,200,000)	(2,200,000)
Total transactions with owners	-	(2,200,000)	(2,200,000)
At 31 December 2015	1,600,000	8,036,606	9,636,606

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital £	Retained earnings £	Total equity £
At 1 January 2014	1,600,000	6,927,019	8,527,019
Comprehensive income for the year			
Profit for the year	-	2,309,918	2,309,918
Other comprehensive income	-	(1,143,200)	(1,143,200)
Total comprehensive income for the year	-	1,166,718	1,166,718
Dividends: equity capital	-	(700,000)	(700,000)
Total transactions with owners	-	(700,000)	(700,000)
At 31 December 2014	1,600,000	7,393,737	8,993,737

The notes on pages 12 to 41 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies

1.1 Authorisation of financial statements and statement of compliance with FRS101

The financial statements of Schneider Electric IT UK Limited (the "company") for the year ended 31 December 2015 were authorised for issue by the board of directors on 29 September 2016 and the statement of financial position was signed on the board's behalf by Trevor Lambeth. Schneider Electric IT UK Limited is incorporated and domiciled in England.

The financial statements were prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework', and in accordance with the applicable accounting standards and as applied by the Companies Act 2006.

The company's financial statements are presented in Sterling, as this is the functional currency of the primary economic environment in which the company operates.

The results of the company are included in the consolidated financial statements of Schneider Electric S.E., which are available from 35 Rue Joseph Monier, F-92500 Rueil Malmaison Cedex, France. The principal accounting policies adopted by the company are set out below.

The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Schneider Electric S.E.

The company has used a true and fair view override in respect of the non amortisation of goodwill (note 1.6). Information on the impact of first-time adoption of FRS 101 is given in note 26.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)

1.2 Basis of preparation of financial statements

The company has transitioned from previously extant UK GAAP to FRS101 for all periods presented. Accordingly, the company has prepared individual financial statements which comply with FRS 101 for all periods presented. Details of the recognition or measurement differences arising on the adoption of FRS 101 are included in note 26 to these financial statements. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

1.3 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

For certain disclosure exemptions listed above the equivalent disclosures are included in the consolidated financial statements of Schneider Electric S.E. which are available to the public.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)

1.4 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.5 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)

1.6 Intangible assets including goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

The Companies Act 2006 requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act 2006. The company is not able to reliably estimate the impact on the financial statements of the true and fair view override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured as the difference between the cost of an acquired business and the aggregate of the fair values of identifiable assets and liabilities.

After initial recognition, goodwill is measured at cost less and accumulated impairment losses.

1.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 5 years
Fixtures and fittings	- 10 years
Office equipment	- 10 years
Computer equipment	- 4 years
Demo centre equipment	- 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)

1.8 Operating leases: Lessee

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

1.9 Valuation of financial assets (investments)

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Income Statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)

1.12 Cash at bank and in hand

Cash and short term deposits in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

1.13 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income Statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)

1.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Creditors are not interest bearing. Settlement terms are 30 days as standard.

1.15 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. The resulting profits or losses are dealt with in the income statement. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

1.16 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)

1.18 Pensions

The company operates both a defined contribution and a defined benefit pension scheme.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The cost of providing benefits under the defined benefit plan is determined for the plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the Statement of Comprehensive Income on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the Statement of Comprehensive Income. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the Statement of Comprehensive Income as other finance income or expense. Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on current market price information and in the case of quoted securities is the published bid price. The value of a net position benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)

1.19 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

1.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred income tax assets is reviewed at each year-end date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year-end date and the amounts reported as revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 18.

Pension and other post employment benefits

The cost of defined contribution pensions plans and other post employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 21.

Operating lease commitments - company as lessee

The company as lessee has entered into leases for motor vehicles. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. Turnover

An analysis of turnover by class of business is as follows:

	2015 £	2014 £
Sale of goods	17,117,873	14,927,903
Rendering of services	13,757,392	13,191,132
	<u>30,875,265</u>	<u>28,119,035</u>

Analysis of turnover by country of destination:

	2015 £	2014 £
United Kingdom	30,875,265	28,119,035
	<u>30,875,265</u>	<u>28,119,035</u>

Turnover is derived from the principal activity of the company which is the sale and support of uninterruptible power supply systems, which falls within the Schneider Electric Group's ordinary activities, stated net of value added tax.

4. Operating profit

The operating profit is stated after charging/(crediting):

	2015 £	2014 £
Depreciation of tangible fixed assets	11,602	19,564
Net foreign exchange (gains)/losses	(66,296)	15,196
Operating lease rentals - land and buildings (i)	381,514	324,220
Operating lease rentals - other - cars (i)	48,655	66,697
	<u>48,655</u>	<u>66,697</u>

(i) Amounts disclosed relate to rental recharges from other group companies in respect of operating leases held by other group companies.

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

5. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2015 £	2014 £
Audit of individual accounts	45,000	42,568
	<u>45,000</u>	<u>42,568</u>

6. Employees

Staff costs, were as follows:

	2015 £	2014 £
Wages and salaries	7,542,842	8,174,242
Social security costs	840,398	875,709
Other pension costs - defined contribution	363,187	392,837
	<u>8,746,427</u>	<u>9,442,788</u>

Schneider Electric S.E. operates a long term incentive plan. Certain employees of Schneider Electric IT UK Limited have rights to share based payments under the group long term incentive plan. The amounts awarded to date are not material and therefore detailed disclosures have not been included in the financial statements.

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Sales and marketing	46	48
Administration	49	54
Engineering	32	31
	<u>127</u>	<u>133</u>

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	378,758	170,533
Company contributions to defined contribution pension schemes	7,957	9,256
	<u>386,715</u>	<u>179,789</u>

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £378,758 (2014 - £170,533).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,957 (2014 - £9,256).

The amount relating to loss of office during the year to 31 December 2015 amounted to £146,088 (2014 - £Nil).

8. Income from financial assets

	2015 £	2014 £
Dividends received from unlisted investments	(1,100,000)	(1,000,000)
	<u>(1,100,000)</u>	<u>(1,000,000)</u>

9. Interest receivable and similar income

	2015 £	2014 £
Interest receivable from group companies	29,409	14,453
	<u>29,409</u>	<u>14,453</u>

10. Other finance costs - pensions

	2015 £	2014 £
Net interest on the defined benefit pension	1,358,000	1,559,000
Interest income on pension scheme assets	(1,202,000)	(1,381,000)
	<u>156,000</u>	<u>178,000</u>

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. Tax on profit on ordinary activities

	2015 £	2014 £
Current tax:		
United Kingdom corporation tax at 20.25% (2014 - 21.5%) on		
profit for the year	-	-
Adjustment in respect of previous years	-	829
Current taxation charge for year	<u>-</u>	<u>829</u>
Deferred tax:		
Current year charge	223,325	287,444
Effect of decreased tax rate on opening asset	(24,930)	-
Adjustments in respect of previous periods	(810)	(100,502)
Total deferred tax	<u>197,585</u>	<u>186,942</u>
Taxation on profit on ordinary activities	<u><u>197,585</u></u>	<u><u>187,771</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

11. Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	2,364,423	2,497,689
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	478,795	537,003
Effects of:		
Expenses not deductible for tax purposes	14,637	(221,936)
Origination and reversal of timing difference: current year charge	-	94,444
Origination and reversal of timing difference: prior year charge	(25,740)	(100,502)
Adjustments to tax charge in respect of prior periods	-	829
Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax	-	227,450
Fixed asset timing difference	-	4,206
Adjustment due to change in tax rate	(27,903)	-
Dividends from UK companies	(222,750)	-
Utilisation of brought forward losses	-	(90,105)
Current tax impact of defined benefit pension scheme movements	-	(244,509)
Other short term timing differences	-	(15,628)
Group relief not paid for	(5,955)	(3,481)
Share scheme deduction	(13,499)	-
Total tax charge for the year	197,585	187,771

Factors that may affect future tax charges

The Finance Acts 2015 provides that the main rate of corporation tax will fall to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. As this legislation has been substantially enacted at the end of the reporting period the impact of the tax rate reductions on the deferred tax balances carried forward has been included in the accounts. The March 2016 Budget announced that the main rate of corporation tax from 1 April 2020 will be 17% instead of 18% as stated above. However, as this measure has not been substantially enacted at the end of the reporting period, the impact of additional tax rate reduction has not been included in these accounts.

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. Dividends

	2015 £	2014 £
Dividends paid 138p per ordinary share (2014 - 44p)	2,200,000	700,000
	<u>2,200,000</u>	<u>700,000</u>

13. Intangible assets

	£
Goodwill	
Carrying amount: At 1 January 2015	1,728,926
At 31 December 2015	<u>1,728,926</u>
<i>At 31 December 2014</i>	<u>1,728,926</u>
	<u>1,728,926</u>

Goodwill acquired through business combinations has been allocated to one cash-generating unit as follows:

- APC UK cash generating unit

This represents the lowest level within the company at which goodwill is monitored for internal management purposes.

The recoverable amount of the APC UK unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board covering a five year period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

14. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Office equipment £	Computer equipment £	Demo centre equipment £	Total £
Cost or valuation						
At 1 January 2015	2,626	55,425	243,599	70,625	5,420	377,695
Transfers between classes	-	-	-	-	(293)	(293)
At 31 December 2015	2,626	55,425	243,599	70,625	5,127	377,402
Depreciation						
At 1 January 2015	2,626	52,990	235,280	70,625	2,137	363,658
Charge for the period	-	2,383	7,510	-	1,709	11,602
At 31 December 2015	2,626	55,373	242,790	70,625	3,846	375,260
Carrying amount						
At 31 December 2015	-	52	809	-	1,281	2,142
At 31 December 2014	-	2,435	8,319	-	3,283	14,037

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

15. Financial assets

	Financial assets £
Cost or valuation	
At 1 January 2015	6,448,570
At 31 December 2015	<u>6,448,570</u>
Impairment	
At 1 January 2015	710,198
At 31 December 2015	<u>710,198</u>
Carrying amount	
At 31 December 2015	<u><u>5,738,372</u></u>
At 31 December 2014	<u><u>5,738,372</u></u>

The interests comprise of ordinary share capital and in the opinion of the directors the value to the company of the unlisted investments is not less than the value shown above.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Americian Power Conversion UK Limited	England and Wales	Ordinary	100 %	Dormant
Schneider Electric IT Manufacturing UK Limited	England and Wales	Ordinary	100 %	Design and manufacture of technical furniture

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

16. Stocks

	2015 £	2014 £
Finished goods and goods for resale	2,086,452	1,402,870
	<u>2,086,452</u>	<u>1,402,870</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks recognised as an expense in the period were £17,652,960 (2014 - £12,858,451). Decrease in inventory provision for the financial year is £68,502 (2014 - £77,939).

17. Debtors (amounts falling due within one year)

	2015 £	2014 £
Due after more than one year		
Deferred tax asset	1,236,925	1,837,429
	<u>1,236,925</u>	<u>1,837,429</u>
Due within one year		
Trade debtors	6,351,388	4,662,460
Amounts owed by fellow group undertakings	8,286,710	6,846,780
Amounts owed by subsidiary undertakings	79,540	40,258
Other debtors	429,677	5,994
Prepayments and accrued income	77,661	94,541
	<u>15,224,976</u>	<u>11,650,033</u>

Included in amounts owed by fellow group undertakings is an intercompany balance receivable of £8,079,913 (2014 - £5,687,112) which is interest bearing and repayable on demand.

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

18. Deferred taxation

	Deferred tax £
At 1 January 2015	1,837,429
Charged to the profit or loss	(197,535)
Charged to other comprehensive income	(402,969)
At 31 December 2015	<u>1,236,925</u>
	Deferred tax £
At 1 January 2014	1,739,400
Charged to the profit or loss	(187,771)
Charged to other comprehensive income	285,800
At 31 December 2014	<u>1,837,429</u>

The deferred tax asset is made up as follows:

	2015 £	2014 £
Tax losses carried forward	433,889	538,734
Fixed asset timing differences	243,012	267,634
Other timing differences	16,424	34,511
Pensions and post employment medical benefits	543,600	996,550
	<u>1,236,925</u>	<u>1,837,429</u>

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

19. Creditors: Amounts falling due within one year

	2015 £	2014 £
Trade creditors (a)	2,668,376	915,519
Amounts owed to fellow group companies (b)	5,127,977	841,104
Amounts owed to subsidiary undertakings (b)	-	815,087
Taxation and social security	410,399	482,566
Other creditors	3,948	2,289
Accruals and deferred income	4,791,079	4,892,447
	<u>13,001,779</u>	<u>7,949,012</u>

(a) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

(b) Amounts owed to fellow group companies and subsidiary undertakings are interest free and repayable on demand.

20. Other provisions

	Restructuri- ng provision £	Maintenance warranties £	Projects provision £	Total £
At 1 January 2015	73,730	98,825	435,000	607,555
Arising in the year	-	81,543	-	81,543
Utilised in the year	(73,730)	(88,633)	(85,000)	(247,363)
At 31 December 2015	<u>-</u>	<u>91,735</u>	<u>350,000</u>	<u>441,735</u>

Restructuring provision

During 2012, a decision was taken to move out of two leasehold premises occupied by the company in Reading and Harrow and centralise operations in Potters Bar. Costs in relation to this move were provided for in 2012 and additional costs arising in relation to the move were provided for in 2013.

Provision for maintenance warranties

These product warranties extend over a period of one year from date of sale.

Projects provision

The projects provision relates to risks to the installed base. The provision reflects the company's best estimate of the obligation to replace faulty products or to offer commercial action to the customers, depending on the conclusion of each issue or potential legal suits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

21. Pension commitments

The company participates in a defined contribution pension scheme. The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The pension cost charged during the period was £363,187 (2014 - £392,837). Outstanding contributions to the plan at 31 December 2015 were £nil (2014 - £nil).

The company sponsors the APC Pension Scheme, a funded defined benefit pension scheme in the UK. The scheme is administered in a trust which is legally separate from the company. Trustees are appointed by the company and the scheme's membership and act in the interest of the scheme and all relevant stakeholders, including members and the company. The trustees are also responsible for the investment of the scheme's assets.

The scheme provides pension and cash benefits to members on retirement and their dependents on death. Members who leave service before retirement are entitled to a deferred pension. The scheme closed to new entrants and future accrual on 12 July 2010. Benefits of members who were contributing to the scheme at that date remain linked to the member's pensionable salary. Employees who were active members of the plan effectively became deferred members at that date.

Following the closure of the defined benefit scheme, the company established a new defined contribution scheme for its employees, in addition to the defined contribution scheme which was already in existence. Contributions to both schemes are expenses to the income statement as incurred. The assets of the scheme are held separately from those of the company in an independently administered fund.

The defined benefit pension scheme is funded by payment of contributions and the assets of the scheme are held separately from those of the company. Contributions to the scheme are charged in the income statement based on the recommendations of independent qualified actuaries, so as to spread the pension costs over eligible employees' service lives, using the aggregate method of funding. The most recent valuation of the staff scheme was carried out by independent professionally qualified actuaries as at 5 April 2013 and was updated by the independent actuaries, to take account of the requirements of IAS 19 "Retirement Benefits", in order to assess the liabilities of the scheme at 31 December 2015.

Scheme assets are stated at their market values at the respective balance sheet dates. Actuarial reports of the scheme are not available for public inspection; however, the result of the valuations is advised to members of the scheme.

The scheme's assets are held separately from those of the Company and are managed by professional investment managers on behalf of the trustee. Following advice from a professionally qualified investment adviser, the trustees have agreed an investment strategy taking into account a number of factors including; the profile and value of the liabilities of the scheme, the strength of employer covenant and the long-term funding objectives agreed with the employer.

The scheme has a broad allocation of 50% of investments being in return-seeking funds that are expected to produce returns in excess of the yield on UK government bonds. The remaining 50% is allocated to liability matching assets, designed to partially offset the movements in the scheme's liabilities caused by movements in interest rates and inflation. The assets are predominantly held in managed pooled investment funds, which are classified as level 2 instruments under IFRS13 Fair Value Measurement as they are not quoted on any stock exchange, although their value is directly related to the value of the underlying holdings.

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

21. Pension commitments (continued)

The assets and liabilities of the scheme at 31 December 2015 are:

	2015	2014
	£000	£000
Fair value of scheme assets	34,635	34,458
Present value of scheme liabilities	(37,655)	(39,441)
Defined benefit pension plan (deficit)	(3,020)	(4,983)

The amounts recognised in the income statement and the statement of comprehensive income for the year are as follows:

	2015	2014
	£000	£000
Net interest expense	156	178
Expense recognised in the income statement (note 10)	156	178

Analysis of amounts in other comprehensive income:

	2015	2014
	£000	£000
Return on scheme assets (excluding amount included in interest expense)	788	(2,378)
(Gain)/loss arising from changes in financial assumptions	(1,867)	3,807
Total recorded in other comprehensive income	(1,079)	1,429
Cumulative amount of gains recognised in other comprehensive income	(1,659)	(580)

The principal assumptions used by the independent qualified actuary to calculate the liabilities under FRS101 are set out below:

	2015	2014
	% per annum	% per annum
<i>Main assumptions</i>		
Liability discount rate	3.80%	3.50%
Inflation assumption - RPI	3.10%	3.10%
Inflation assumption - CPI	2.30%	2.30%
Rate of increase in salaries	3.35%	3.35%
Revaluation of deferred pensions: pensions in excess of GMP	2.30%	2.30%
Allowance for pension in payment increase of RPI or 5% p.a if less	3.10%	3.10%
Allowance for revaluation of deferred pensions of CPI or 5% p.a if less	2.30%	2.30%

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

21. Pension commitments (continued)

	2015 % per annum	2014 % per annum
<i>Demographic/mortality assumptions</i>		
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash		
	All members assumed to commute 15% of pension at retirement 95%/90% (M/F) SAPS S1PXA CMI 2012 1.25%	<i>All members assumed to commute 15% of pension at retirement 95%/90% (M/F) SAPS S1PXA CMI 2012 1.25%</i>
Mortality assumption post retirement		
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end	88.1	88
Female aged 65 at year end	90.8	90.7
Expected age at death of future pensioner at age 65:		
Male aged 50 at year end	89.4	89.3
Female aged 50 at year end	92.3	92.2

Sensitivity of the liability value to changes in principal assumptions

If the discount rate changes by 0.1%, the scheme liabilities would change by 1.6%. This would change the liabilities by approximately £600,000.

If the inflation assumption changed by 0.1%, the scheme liabilities would change by 1.6%. This would change the liabilities by approximately £600,000.

If life expectancies increased by 1 year, the liabilities would increase by 3.5%, approximately £1,300,000.

Changes in fair value of plan assets are analysed as follows:

	2015 £000	2014 £000
Fair value of assets at start of the period	34,458	30,692
Interest income on plan assets	1,202	1,381
Return on assets (excluding amount included in net interest expense)	(788)	2,378
Contributions by employer	1,040	1,143
Benefits paid	(1,277)	(1,136)
Fair value of assets at end of the period	<u>34,635</u>	<u>34,458</u>

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

21. Pension commitments (continued)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2015 £000	2014 £000
Defined benefit obligation at start of the period	(39,441)	(35,211)
Interest on benefit obligation	(1,358)	(1,559)
Actuarial gains and losses arising from changes in financial assumptions	1,867	(3,807)
Benefits paid	1,277	1,136
Defined benefit obligation at end of the period	<u>(37,655)</u>	<u>(39,441)</u>

Actual return on assets over the period	414	3,759
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Major categories of assets which constitute the fair value of the total scheme assets:

	2015 £000	2014 £000
Equities	7,022	7,003
Overseas equities	7,022	6,792
Index linked bonds	16,996	17,106
Multi asset investment	3,453	3,428
Cash	142	129
Fair value of assets	<u>34,635</u>	<u>34,458</u>

The split of the schemes liabilities by category of membership is as follows:

Active members	1,629	1,702
Deferred pensioners	15,704	16,345
Pensions in payment	20,322	21,384
Fair value of assets	<u>37,655</u>	<u>39,431</u>

Average duration of the schemes liabilities at the end of the period (years)	15	15
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This should be subdivided as follows:

Active members	24	24
Deferred pensioners	20	20
Pensions in payment	12	12

The scheme has no investments in the company or in property occupied by the company.

The company expects to contribute £1,040,000 to the scheme during the year ending 31 December 2016.

Benefit payments made from the scheme are expected to be approximately £1,300,000 over each of the next 3 years.

22. Other financial commitments

The company has provided a guarantee relating to Custom & Excise obligations to the amount of £120,000.

The company has no capital commitments or contingencies as at 31 December 2015 (31 December 2014 - £nil).

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
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23. Share capital

	2015 £	2014 £
Authorised, allotted, called up and fully paid		
1,600,000 ordinary shares of £1 each	<u>1,600,000</u>	<u>1,600,000</u>

24. Related party transactions

The company is a wholly owned subsidiary of Schneider Electric S.E. and has taken advantage of the exemption conferred by Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) not to disclose transactions with Schneider Electric S.E. or its subsidiaries.

25. Ultimate group undertaking

The Company is a wholly owned subsidiary of Schneider Electric IT France, a Company incorporated in France.

The largest group in which the financial statements of the company are consolidated is that headed by the ultimate parent undertaking and ultimate controlling party, Schneider Electric S.E., a company incorporated in France. Copies of the group financial statements of Schneider Electric S.E. can be obtained from: Schneider Electric S.E., 35 Rue Joseph Monier, F-92500 Rueil-Malmaison, Cedex, France.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. First time adoption of FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

Exemptions allowed

IFRS 1 allows first-time adopters certain exemptions from the general requirements of IFRSs as effective for December 2014 year ends retrospectively. The Company has taken advantage of the following exemption:

- Cumulative actuarial gains and losses on pensions and other post-employment benefits are recognised in full in equity on the date of transition to IFRS. This is the same treatment as under previous UK GAAP.

Schneider Electric IT UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

26. First time adoption of FRS 101 (continued)

		<i>As previously stated 1 January 2014</i>	<i>Effect of transition 1 January 2014</i>	FRS 101 (as restated) 1 January 2014	<i>As previously stated 31 December 2014</i>	<i>Effect of transition 31 December 2014</i>	FRS 101 (as restated) 31 December 2014
	Note	£	£	£	£	£	£
Fixed assets	1	7,500,299	-	7,500,299	7,225,198	256,137	7,481,335
Stocks		1,586,287	-	1,586,287	1,402,870	-	1,402,870
Debtors		10,553,006	-	10,553,006	11,650,033	-	11,650,033
Deferred taxation	2	834,821	903,800	1,738,621	840,879	996,550	1,837,429
Cash at bank and in hand		111,819	-	111,819	161,338	-	161,338
Creditors: amounts falling due within one year		(7,572,040)	-	(7,572,040)	(7,949,012)	-	(7,949,012)
Net current assets		<u>5,513,893</u>	<u>903,800</u>	<u>6,417,693</u>	<u>6,106,108</u>	<u>996,550</u>	<u>7,102,658</u>
		13,014,192	903,800	13,917,992	13,331,306	1,252,687	14,583,993
Provisions for liabilities		(871,972)	-	(871,972)	(607,555)	-	(607,555)
Defined benefit pension liability		(3,615,201)	(903,800)	(4,519,001)	(3,986,201)	(996,500)	(4,982,701)
Net assets		<u>8,527,019</u>	<u>-</u>	<u>8,527,019</u>	<u>8,737,550</u>	<u>256,187</u>	<u>8,993,737</u>
Capital and reserves		<u>8,527,019</u>	<u>-</u>	<u>8,527,019</u>	<u>8,737,550</u>	<u>256,187</u>	<u>8,993,737</u>

Schneider Electric IT UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. First time adoption of FRS 101 (continued)

		As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 101 (as restated) 31 December 2014 £
	Note			
Continuing Operations				
Turnover		28,119,035	-	28,119,035
Cost of sales		(19,873,827)	-	(19,873,827)
		<u>8,245,208</u>	<u>-</u>	<u>8,245,208</u>
Distribution expenses		(4,593,149)	-	(4,593,149)
Administrative expenses	1	(2,246,960)	256,137	(1,990,823)
		<u>1,405,099</u>	<u>256,137</u>	<u>1,661,236</u>
Operating profit				
Income from investments		1,000,000	-	1,000,000
Interest receivable and similar income		14,453	-	14,453
Interest payable and similar charges	3	(6,000)	(172,000)	(178,000)
Taxation	3	(222,221)	34,450	(187,771)
		<u>2,191,331</u>	<u>118,587</u>	<u>2,309,918</u>
Loss on ordinary activities after taxation and for the financial year				
Other comprehensive income				
Actuarial loss on defined benefit pension scheme	3	(1,601,000)	172,000	(1,429,000)
Deferred tax credit on originating and reversal of timing differences on defined benefit pension scheme	3	320,200	(34,400)	285,800
		<u>910,531</u>	<u>256,187</u>	<u>1,166,718</u>
Total comprehensive income				

Explanation of changes to previously reported profit and equity:

- 1 Under previous UK GAAP, goodwill was amortised over its useful life (10 years). On transition to FRS101 Goodwill is considered to have an indefinite life in accordance with IAS 38, and is tested annually for impairment in accordance with IAS 36. On transition, the company took advantage of the exemption under IFRS 1 not to restate its business combinations and the carrying value of goodwill at the date of transition, so remains unchanged. In addition to this, an adjustment of £256,137 has been recorded to reverse the 2014 amortisation booked after the transition date under previous UK GAAP.
- 2 Under previous UK GAAP the pension liability or asset was required to be shown net of the related deferred tax asset or liability. Under FRS101 the pension liability or asset is required to be shown gross and the related deferred tax included within deferred tax asset or liability line on the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. First time adoption of FRS 101 (continued)

- 3 Under previous UK GAAP the interest cost was determined by applying the discount rate to the opening present value of the defined benefit obligation, and the interest income on the expected return on assets based on an assessment made at the beginning of the year of the long-term market-return on scheme assets. Under IAS19 net interest is calculated by applying the discount rate to the net defined liability or asset. As a result of transition to FRS101, net interest for the year ended 31 December 2014 was £172,000 higher than had been recognised under previous UK GAAP, with a corresponding reduction in remeasurement gains recognised in other comprehensive income. The related deferred taxation impact on the movements through the income statement and other comprehensive income of £34,450 has been reflected accordingly.